OIL AND GAS INSPECTION AND ENFORCEMENT STRATEGY GOALS

I. PRODUCTION INSPECTIONS

All production Cases rated high to the FOGRMA criteria must be inspected annually. All other Cases capable of production will be inspected once every 3 years.

Once a Case is selected, the technician conducting the Production Inspection (PI) will determine the activities that must be performed to ensure that the production is being handled properly, measured accurately, reported correctly, and the environment and public are being protected. At a minimum this will require the sampling of all methods of measurements occurring on the Case, observations for site security, inspection for environmental and public health and safety concerns, and a review of production records. The selection of inspection activities can be as comprehensive as deemed necessary by the technician and can be accomplished with a mix of both field visits and in-office reviews.

If violations or problems are detected during the course of the inspection, steps must be taken to determine the extent of the problem and what corrective actions may be necessary. Additional inspection activities may be needed to determine if problems or violations exist at other facilities and/or wells. This may also include a conclusion that problems or violations are systemic for that particular operator and may require additional inspections of other Cases for that operator(s).

The technician conducting the inspection must be satisfied that he/she has performed an adequate sampling of the applicable production activities (measurement, environment, site security, etc.) and ensure that any violations or problems have been resolved.

The following steps further define the minimum requirements for a PI:

A. If production is occurring on the Case: measurement, environmental, site security inspection activities, and a partial records review must be performed. The measurement activity(s) must include comparison of the corresponding production record(s) related to the measurement activity. For example, if conducting a Tank Gauging (TG) activity, the technician would review the corresponding run ticket for completeness and accuracy. In some instances a single run ticket will allow field offices to also verify reported sales on the Oil and Gas Operations Report (OGOR) on low producing Cases.

    1. Field offices must inspect an adequate sample of wells and facilities, along with an inspection of each type of measurement (oil and gas), and method of measurement (tank gauge, Lease Automatic Custody Transfer [LACT] meter, orifice meter, etc.) The technician may either witness or independently perform measurement activities to accomplish this requirement.

The sample size is to be determined by the individual conducting the inspection. Factors to consider in determining the sample size are dependent on the number of wells, facilities, measurement equipment, methods, and types. The technician must be satisfied that he/she has performed an adequate number of inspection activities to ensure that production is properly handled and measured accurately.

For example, if a Case has ten gas orifice meters, five oil sales tank facilities, and two LACT meters, the technician must witness or perform an inspection activity on each measurement type and method (gas measurement, oil tank sales, and meter proving), but may not have to witness all ten gas orifice meter calibrations, five oil sales, etc., if problems are not detected during the initial representative sampling and additional activities are not warranted. This is a minimum requirement, and technicians are encouraged to conduct more measurement inspection activities if they feel it is necessary to determine if measurement is accurate. This practice is not unlike the policy previously established in the I&E Strategy Handbook, Appendix 4, which recommended that on large cases the representative sampling size be 25 percent of the wells/facilities. Once again, the technician has the latitude and discretion to decide the actual representative sampling size for each case as long as the inspection examines each measurement type and activity occurring on the case. Offices may continue to use the 25 percent representative sampling size, just ensure that the representative sampling of wells and facilities are documented accurately so that a different set of wells and facilities may be inspected in the future.

2. The sample must include inspection activities associated with Environmental (SP) and Public Health and Safety (HS) concerns. The Bureau's emphasis related to the environment and public health and safety, if applicable, has not changed from that documented in the I&E Strategy Handbook.

3. The sample must also include Site Security (SS) inspection activities. This requirement has remained unchanged from that documented in the I&E Strategy Handbook.

4. The Partial Production Records Review (coded as PI-RR) must include, at a minimum, a review of the Minerals Management Service Oil & Gas Operations Report (OGOR), Form 4054, to analyze trends and production history and identify potential reporting errors. This will include a review the disposition of production on the OGOR reports for the past 6 months and the production average report for the past 3 years.

The following are suggested areas of the OGOR that should be reviewed as part of the PR activity and are examples of indicators of possible discrepancies in production handling and reporting that should be pursued if found during an OGOR review:

1. Verify reported well status against production documents submitted by the operator for review (such as the daily gauge reports).

2. One or more days of production reported with zero volumes of oil, gas and/or water.

3. Zero days produced with reported gas, oil and/or water volumes.

4. Extreme variations in reported production volumes when the number of days produced remain constant.

5. A pattern of reporting identical volumes or consistent fluctuations, such as variations by one fourth, one half, or two thirds; or changes of 200, 400, or 600 barrels for many months.

6. Irregularities of volumes listed in the "other" (disposition of production) column.

7. Discrepancies between the OGOR and any other information obtained during the inspection activities.

8. Production volumes and/or wells being reported on the wrong Case.

9. Unreasonable "used on lease" volumes.

10. Discrepancies between beginning and ending stock on hand.

Some of the errors noted above may be located by using special reports available in AFMSS, such as the Zero Production Report.

The FOs are encouraged to conduct detailed production record reviews, coded as PR activity. Significant amounts of volume discrepancies have been found when conducting the PR inspection activity. Due to the effectiveness of the PR, field offices are encouraged to continue using this inspection activity.

Also, at the discretion of the FO, a Complete Production Records Review (coded as PI-PR) may be conducted on Low FOGRMA priority cases (overall priority ranking of Y or Z) without a field visit. High FOGRMA cases must have a field inspection conducted on an annual basis.

If a Case is subject to a variable royalty rate, the inspector must verify if the production subjects the lease to a higher royalty rate. If the production level indicates a higher royalty rate, a sample check of the status of the wells must be made to verify if they are countable wells. If the sample determines that the operator is reporting incorrectly, the sample will need to be enlarged to include additional wells.

B. If production is not occurring on the Case, only the partial records review and the appropriate field inspection activities must be performed (such as site security, well status checks (coded as PI-WS), environmental, and if applicable, health and safety).

II. DRILLING, PLUGGING, and WORKOVER INSPECTIONS

Conduct drilling inspections on all high priority drilling wells. The priority will be determined at the time of Application for Permit to Drill (APD) approval and inspections conducted in accordance with that priority. At a minimum, the activity causing the drilling well to be classified high priority must be witnessed.

Conduct plugging and abandonment inspection on all wells determined to be high priority at the time of approval of the Notice of Intent to Abandon (NIA).

High priority drilling and abandonment inspections shall take precedence over production inspections if scheduling conflicts arise. Drilling and plugging inspections are externally driven, while production inspections are controlled internally and can be more easily rescheduled. Ensuring that drilling and plugging operations are in compliance from the outset will minimize potential problems in the long term, particularly with regard to contamination of subsurface water resources and surface related environmental concerns, to reduce future liability problems and workload. These operations often occur outside normal work hours. The FOs must ensure that resources are available to conduct these inspections.

Conduct inspections of all Workover operations rated high priority. Review and identify any critical operations to be inspected upon approval of the work plan. Inspect those operations deemed to be high priority at the time of approval.

III. ENVIRONMENTAL INSPECTIONS

Conduct all high priority surface inspections on drilling wells and plugged well site locations. Also, conduct environmental inspections annually on all cases rated high priority due to environmental concerns. Classification of environmental ratings for the estimated drilling and plugging activities, as well as review of the rating for active cases, will be performed each year at the time of matrix preparation to ensure that we have an accurate accounting of environmental inspection workload requirements. Clarification on establishing a priority rating are addressed in the I&E Strategy Handbook.

As with the technical inspections, the environmental drilling and plugging inspections on those wells rated high priority for surface concerns shall take precedence over environmental production inspections.

IV. OTHER INSPECTION REQUIREMENTS

Conduct an inspection on all cases rated as high priority for public health and safety, legal, or other standards. The inspection should be conducted to specifically address the reasons the case was rated high for these criteria.

Although they are not required under strategy goals, offices should continue to conduct Records Verification (RV) and Undesirable Event (NU) inspection types as time or circumstances warrant.

V. DOCUMENTATION

Inspection documentation requirements are outlined in WO IM 2001-127, Oil & Gas Inspection and Enforcement (I&E) Documentation, issued April 16, 2001, with the following exception. With the release of AFMSS Version 3.1, it will no longer be necessary to document each measurement activity separately. AFMSS allows for a measurement activity to be entered once with the number of times the activity was performed. If a volume discrepancy is found during a measurement activity, that activity must be entered separately with the appropriate volumes. Please refer to WO IM 2001-127 for other inspection documentation guidance.

Remember, each inspection should contain a brief synopsis of the results of the inspection, including notes that may aid future inspections, for example, violations or problems detected; resolution of problems; volume discrepancies; installation of a new LACT, gas meter, or tank(s), Blow Out Prevention failures; placement of plugs; and so on.

SS Main Menu.